

Message Text

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PASS AGRICULTURE

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TAGS: EAGR; DA, EEC
SUBJ: MAJOR FARM ISSUES DURING DANISH EC PRESIDENCY

1. SUMMARY: RECENT PUBLIC STATEMENTS BY GOVERNMENT AND AGRICULTURAL SPOKESMEN HAVE SET FORTH DANISH VIEWS ON THE MAJOR FARM ISSUES THAT WILL COME UP DURING DENMARK'S EC PRESIDENCY. THEY EMPHASIZE THE NEED FOR STRUCTURAL CHANGES, MODERATION IN PRICE INCREASES, REDUCED RELIANCE ON SURPLUS DISPOSAL ABROAD, SPECIAL ASSISTANCE TO MEDITERRANEAN PRODUCERS, DISMANTLING OF THE MCA'S AND INTERNATIONAL GRAIN AND PROTEIN AGREEMENTS. THEY ALSO INDICATE A REALIZATION THAT PROGRESS ON THESE ISSUES DURING THE DANISH PRESIDENCY WILL BE LIMITED BY CURRENT ECONOMIC CONDITIONS AND THE FORTH-COMING ELECTION IN FRANCE. END SUMMARY.

2. RECENT PUBLIC STATEMENTS BY DANISH MINISTERS AND AGRICULTURAL OFFICIALS HAVE HIGHLIGHTED THE MAJOR FARM ISSUES
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THAT WILL BE IN THE FOREGROUND DURING THE JANUARY-JUNE DANISH PRESIDENCY AND THEIR POLICY AIMS IN THESE AREAS. ALTHOUGH DANISH OFFICIALS EMPHASIZE THEIR CONTINUED FELICITY WITH THE COMMON AGRICULTURAL POLICY (CAP) PRINCIPLES, THEY BELIEVE THERE HAS BEEN A LACK OF POLITICAL WILL TO MAKE THE HARD DECISIONS WHICH WOULD SOLVE THE BASIC STRUCTURAL PROBLEMS AND LEAD TO LONG-TERM SOLUTIONS OF THE IMBALANCE IN PRODUCTION AND MARKET-

ING AMONG INDIVIDUAL COMMODITIES AND AMONG REGIONS WITHIN THE EC. OFFICIALS HERE CITE THE CURRENT AGRICULTURAL STRUCTURE WITHIN LARGE PARTS OF THE EC AS BEING AT THE ROOT OF THE PROBLEMS IN THE MONETARY AREA, IN UNMANAGEABLE COMMODITY SURPLUSES AND THE RAPID GROWTH IN AGRICULTURAL EXPENDITURES WHICH IN THE LONG RUN COULD EXERT SUFFICIENT POLITICAL PRESSURE TO MAKE CHANGES IN THE BASIC SYSTEM UNAVOIDABLE. CONTINUED STRUCTURAL SURPLUSES COULD LEAD TO A DIRECT STEERING OF PRODUCTION, FOR EXAMPLE IN THE FORM OF QUOTAS BY PRODUCT AND BY MEMBER STATE.

3. IN THE OVERALL LONG-TERM PLANNING, IT IS SAID GOALS SHOULD BE SET FOR THE DESIRED LEVELS OF SELF-SUFFICIENCY FOR EACH FARM COMMODITY, TAKING INTO ACCOUNT HOME MARKET REQUIREMENTS AND SALES POSSIBILITIES IN THIRD COUNTRIES, AND USE MADE OF THE INSTRUMENTS UNDERM THE SYSTEM TO ACHIEVE SUCH TARGETS. BUDENSOME SURPLUSES SUCH AS BUTTER SHOULD BENEFIT EC'S OWN CONSUMERS AND, WHERE POSSIBLE, BE UTILIZED IN FOOD AID PROOGRAMS RATHER THAN EXPORTED TO THIRD COUNTRIES AT SEVERLY REDUCED PRICES. TO ACHIEVE A BETER BALANCE BETWEEN PRODUCTION AND MARKETING, A CAUTIOUS PRICE POLICY COMBINED WITH MEASURES TO EXPANDING CONSUMPTION AND TO MAKE ADJUSTMENTS IN THE PRODUCTION PATTERN MUST BE FOLLOWED.

4. ADMITTING THAT THE "NORTHERN" FARM PRODUCTS ENJOY BETTER PRICE GUARANTEES THAN THE SOUTHERN "MEDITERRANEAN" PRODUCTS, LIMITED OFFICIAL USE

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THE DANES SEE ONE OF THEIR MAJOR RESPONSIBILITIES DURING THEIR PRESIDENCY AS MEDIATING AN ADJUSTMENT OF THE CURRENT POLICIES TO SATISFY THE CONCERNS OF SOUTHERN EC MEMBERS VIS-A-VIS ENLARGEMENT OF THE COMMUNITY WITH GREECE, SPAIN AND PORTUGAL WHILE AVOIDING UNREASONABLE COST INCREASES AND BREACHING THE BASIC CAP PRINCIPLES. THIS MUST BE ACHIEVED WITHOUT PREJUDICING THE ACCESSION OF THE THREE CANDIDATE MEMBERS. THE DANES DO NOT SEE THE SOLUTION TO THESE PROBLEMS IN INCREASING THE PRICE GUARANTEES FOR MEDITERRANEAN PRODUCTS AS THIS WOULD ONLY INCREASE CONSUMER PRICES WITHOUT HAVING MUCH EFFECT ON FARM INCOME. THEY BELIEVE THE ANSWER LIES IN IMPROVEMENT OF PRODUCT QUALITY AND THE MARKETING STRUCTURE AS WELL AS FARM STRUCTURAL RATIONALIZATION BY MEANS OF GREATER REGIONAL FUND RESOURCES SUPPLEMENTED BY EFFECTIVE SOCIAL POLICIES AND THE FORMATION OF PRODUCER ORGANIZATIONS.

5. DISMANTLING OF THE MONETARY COMPENSATORY AMOUNTS (MCA'S) IS HIGH ON THE LIST OF PRIORITIES FOR BOTH GOVERNMENT AND FARM OFFICIALS.

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ACKNOWLEDGING THE VALUE OF THE MCA SYSTEM DURING
SHORT TRANSITION PERIODS UNTIL PRICE EQUILIBRIUM HAS BEEN
RESTORED, THE DANES SAY THE PERMANENT CHARACTER IT HAS
ATTAINED HAS ISOLATED AGRICULTURE FROM OTHER SECTORS OF THE
ECONOMY AND MADE THE PRINCIPLE OF A COMMON MARKET ILLUSORY,
WITH THE RESULTANT MARKET DISTORTION. THE COMMISSION'S
PROPOSAL FOR A 7-YEAR DISMANTLING OF PRESENT MCA'S AND A
ONE-YEAR DISMANTLING OF NEW ADJUSTMENT PAYMENTS IS FELT
TO BE AN ACCEPTABLE COMPROMISE AND WEST GERMANY'S AND THE
UK'S ACCEPTANCE IN PRINCIPLE OF A DISMANTLING PROCEDURE IS
GIVING GROUNDS FOR OPTIMISM OF MOVEMENT IN THIS AREA. THE
DANES WILL ALSO BE PRESSING FOR PROGRESS IN THE ELIMINATION
OF NATIONAL SUBSIDY PROGRAMS.

6. WHILE AGREEING ON MOST FARM POLICY ISSUES, THERE ARE
DIVERGENT VIEWS BETWEEN GOVERNMENT AND FARM OFFICIALS ON
THE QUESTION OF 1978/79 FARM PRICE GUARANTEES. AGMINISTER
DALSAGER HAS STATED PUBLICLY THAT HE BELIEVES THE COMMISSION'S
PROPOSAL FOR AN AVERAGE 2 PERCENT INCREASE COMBINED WITH
MCA ADJUSTMENT IS REASONABLE FOR ALL MEMBER STATES FROM THE
VIEWPOINT OF CONTAINING INFLATION AND ON THE BACKGROUND OF
SURPLUS COMMODITY PROBLEMS AND CAP BUDGETARY EXPENDITURES.
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HE FEELS THE PROPOSAL IS SATISFACTORY FOR THE DANES AS THE
PROPOSED HIGHER INCREASE FOR PIGMENT (3 PERCENT) THAN FOR

GRAINS (AVERAGE ONE PERCENT) SHOULD IN THE LONGER RUN ENCOURAGE THE DESIRED EXPANSION IN DANISH LIVESTOCK PRODUCTION. HE POINTS OUT, TOO, THAT DANISH FARMERS HAVE ACHIEVED HIGHER INCREASES DURING THE PAST YEAR OR SO THAN IN OTHER MEMBER COUNTRIES THROUGH VARIOUS GREEN KRONE DEVALUATIONS. (SINCE OCTOBER 1976, MINIMUM DANISH FARM PRICES HAVE INCREASED ON AVERAGE ABOUT 16 PERCENT FOLLOWING THREE GREEN KRONE DEVALUATIONS AND THE 1977/78 PRICE AGREEMENT.) THE MINISTER FEELS THE GERMAN FARMERS WOULD BE THE ONES IN MORE OF A PRICE SQUEEZE AND THEREFORE THINKS THE FINAL OUTCOME WILL BE SLIGHTLY HIGHER THAN THE PROPOSED 2 PERCENT.

7. ON THE OTHER HAND, DANISH FARM OFFICIALS ARE DISSATISFIED THAT THE PROPOSED INCREASE IS LESS THAN HALF OF COMMISSION EXPERT CALCULATIONS BASED ON THE AGREED-ON "OBJECTIVE" COST CRITERIA, WHICH WOULD INDICATE AN AVERAGE 4.2 PERCENT INCREASE. THEY POINT TO THE UNFAVORABLE EFFECT ON EC FARMERS OF UNILATERAL ARRANGEMENTS FOR IMPORTATION OF NEW ZEALAND BUTTER, ACP BEEF AND SUGAR, ETC., CLAIMING THAT SUCH ARRANGEMENTS PUSH EC'S OWN PRODUCTION OF COMMODITIES ALREADY IN SURPLUS INTO INTERVENTION STORAGE. THEY ALSO QUESTION EC'S LIBERAL IMPORTATION OF VEGETABLE PROTEIN AND OTHER ALTERNATIVE FEEDS. WHILE ON THE ONE HAND LIVESTOCK PRODUCERS ARE INTERESTED IN THE CHEAPEST POSSIBLE IMPORT, THEY ARE ALSO INTERESTED IN STABLE PRICES AND IN AVOIDING DISTORTION OF COMPETITION WITH EC'S OWN PRODUCTS AND CONSIDER THAT INTERNATIONAL AGREEMENTS IN THE PROTEIN AND GRAIN AREAS WOULD BE THE MOST APPROPRIATE MEASURE TO AVOID GREATLY FLUCTUATING FEED COSTS.

8. COMMENT: WHILE DENMARK HAS DISPLAYED CONSIDERABLE ENTHUSIASM AND PREPARATION FOR ITS TERM OF OFFICE IN THE EC LIMITED OFFICIAL USE

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CHAIR, IT RECOGNIZES THAT THE PROSPECT FOR MAJOR ADJUSTMENTS IN EC POLICIES IS LIMITED BY THE SLUGGISH ECONOMIC SITUATION IN THE COMMUNITY. ON THE FARM FRONT, IT ALSO RECOGNIZES THAT AT BEST MAJOR REFORMS WILL BE IN ABEYANCE UNTIL AFTER THE FRENCH ELECTIONS. ON FARM PRICES, WE BELIEVE THE DANISH FARM ORGANIZATIONS ARE NOT AS UNHAPPY WITH THE PROSPECT OF ONLY A 2 PERCENT AVERAGE INCREASE AS THEY PUBLICLY EXPRESS. IT IS NOTEWORTHY THAT ALL TOP OFFICIALS EMPHASIZE THAT THE DANISH PRESIDENCY MUST NOT BE USED TO PLY SPECIAL DANISH INTERESTS (AS THEY CRITIZE THE BRITISH FOR HAVING DONE) BUT THAT DENMARK MUST WORK OBJECTIVELY FOR THE OVERALL BENEFIT OF THE COMMUNITY. DEAN

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